

Ganga Dairy

December 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	37.93	CARE B; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE B+; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Ganga Dairy (GD) to monitor the rating vide e-mail communications/letters dated October 3, 2024, November 18, 2024, November 22, 2024, November 26, 2024, etc. among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on Ganga Dairy's bank facilities will now be denoted as **CARE B; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been downgraded on account of non-availability of requisite information and no due-diligence conducted due to non-cooperation by Ganga Dairy (GD) with CARE Ratings Ltd.'s efforts to undertake a review of the rating outstanding. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating takes into account the constraints relating to firm's leveraged capital structure, weak debt coverage indicators and elongated operating cycle. Further, the rating continues to remain constrained by risk associated with its susceptibility to adverse regulatory changes and raw material price fluctuation risk and seasonal nature of operations coupled with highly competitive nature of the industry. The rating, however, continues to draw comfort from the experienced proprietor coupled with long track record of operations, strategic location of the manufacturing unit and well-established milk procurement system and moderate PBILDT margin coupled with growing scale of operations.

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on February 20, 2024, the following were the rating strengths and weaknesses:

Key weaknesses

Leveraged capital structure and weak debt coverage indicators: The capital structure of the firm stood leveraged as on the past three balance sheet dates ending (FY22-FY23) mainly on account of high dependence on external borrowings to fund the working capital requirements of business against the proprietor's capital base. The overall gearing ratio stood at 1.80x as on March 31, 2023 showing marginal improvement from 1.81x as on March 31, 2022 primarily on account of lower utilization of working capital borrowings as on balance sheet date. As on December 31, 2023, it further improves to 1.41x on account of improvement in net worth due to accretion of profits to reserves. Further, on account of high debt levels, the debt coverage indicators of the firm as marked by interest coverage and total debt to GCA continue to remain weak at 1.34x and 26.75x respectively, during FY23 as against 1.28x and 26.96x respectively, during FY22. During 9MFY24, interest coverage and total debt to GCA continue to remain weak at 1.39x and 23.01x respectively.

Elongated operating cycle: The operations of the firm improved however, continue to remain elongated and stood at 134 days for FY23 as against 145 days for FY22 on account of efficient management of its inventory holding period. The firm deals in both milk products and chicory products; wherein for chicory products the firm builds up adequate raw material inventory (dried chicory) to ensure it continues production due to seasonal availability from March to May. Further, owing to large product portfolio (wide product category, different quality, sizes, etc.), the firm is required to maintain adequate inventory of finished goods of all the products to meet the immediate demand of its customers. Entailing, all results in an average holding period of

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

81 days for FY23. The firm normally offers credit period of around 2-3 months to its customers. The firm normally procures the raw material on cash basis; however, from few of its suppliers it receives a credit period of around 1 month.

Susceptibility to adverse regulatory changes and raw material price fluctuation risk: The raw material comprises of raw milk formed nearly 80% of total cost of sales in FY23. The price of the raw material is sensitive to changes in government policies which in turn makes profitability margins of the firm vulnerable towards government policies. Also, milk supply and its prices are exposed to external risks like cattle diseases, yield, etc. on which the firm do not have any direct control and therefore, any fluctuation in prices of milk will have a direct impact on the profitability margins of the firm.

Seasonal nature of operations and highly competitive nature of the industry: India being a tropical country renders a hot and humid climate for the animals and thus fluctuations in the milk production. There is a flush season in the cooler parts of the year whereas the production goes down in the warmer months of the year. The milk processing and milk products manufacturing companies converts the surplus milk during November-April (flush season) into ghee, milk powder, butter, etc. to maintain the continuous supply of milk products round the year. This leads to increased working capital requirement during the period leading to high overall gearing at year end. GD operates in a highly competitive industry wherein it faces competition in the dairy segment from other established brands in the organized market. The competition gets fiercer with presence of unorganized players and independent milk vendors catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins.

Key strengths

Experienced proprietor coupled with long track record of operations: Mr. Arvind Kumar Agrawal is a graduate by qualification and has an accumulated experience of nearly three decades in this business through his association with this entity and looks after the overall operations of the firm. The proprietor is having a considerable track record in this business which has resulted in long term relationships with both suppliers and customers.

Strategic location of the manufacturing unit and well-established milk procurement system: Uttar Pradesh remains largest contributor to the national milk production contributing around 16% of the total milk production in the country (Source: The National Dairy Development Board and Department of Animal Husbandry, Dairying & Fisheries, Ministry of Agriculture and Farmers Welfare, Government of India). This provides a strategic advantage to the firm over its competitors in regard to milk production. The firm also has a well-established network for milk procurement from the villages and small towns. The milk is directly procured from local farmers and milk centres. It has its own 5-6 collection centres located within UP region.

Moderate PBILDT margin coupled with growing scale of operations: The profitability margins of the firm as marked by PBILDT margin continue to remain moderate during the past three financial years (FY21-FY23) wherein the firm reaps benefits of its established presence in the regional market. The PBILDT margin of the firm moderated to 4.00% in FY23 from 5.13% in FY22 due to intense competition in the market wherein the firm has to compromise on its margins in order to scale up its operations. Further, during 9MFY24 the margins improved and stood at 4.10% and 0.62% respectively.

GD's scale of operations has shown a growing trend during the past three financial years (FY21-FY23). The total operating income grew from Rs.121.07 crore in FY21 to Rs.151.12 in FY23 crore registering a compounded annual growth rate (CAGR) of about 11.72% on the back of higher intake from its existing customers. Further, the scale of operations has remained modest marked by a total operating income and gross cash accruals of Rs.151.12 crore and Rs.1.52 crore respectively during FY23. The modest scale limits the firm financial flexibility in times of stress and deprives it from scale benefits. Further, the firm has achieved total operating income of Rs.122.03 crore during 9MFY24 (refers to the period from April 1, 2023 to December 31, 2023; based on provisional results) and is expected to achieve total operating income of ~Rs.160.00 crore in FY24.

Liquidity: Stretched

The liquidity position of the firm remained stretched characterized by elongated operating cycle. Further, the firm has liquid investments to the tune of Rs.0.45 crore and low free cash & bank balances which stood at Rs.0.21 crore as on December 31, 2023. The firm has also reported net cash accruals (NCA) to the extent of Rs.1.52 crore during FY23, Rs.1.42 crore during 9MFY24 and is expected to generate envisaged NCA of Rs.1.60 crore for FY24 against repayment obligations of Rs.2.26 crore. As on December 31, 2023, the proprietor has infused funds to the tune of Rs.1.14 crore in the form of unsecured loans to support the liquidity position of the firm. Further, the promoter will infuse funds from his own resources as and when required to support the liquidity position of the firm.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Dairy Products

Aligarh, Uttar Pradesh based Ganga Dairy (GD) was established in July, 1993 as a proprietorship firm. The firm is currently managed by Mr. Arvind Kumar Agrawal. The firm is engaged in the processing of milk and manufacturing of milk products and chicory products. The main products of GD include; liquid pasteurized milk, milk powder, white butter, Ag-mark desi ghee, dairy mix, chicory powder, chicory extract, etc. The manufacturing facility of the firm is located at Atrauli, Uttar Pradesh with an installed capacity to process 3,00,000 litres of milk per day and 20 metric tonnes of chicory per day. The major raw materials required are raw milk and dry chicory which the firm procures directly from local farmers/milk centres and traders. It has its own 5-6 collection centres located within UP region. The firm sells its pasteurized milk & milk products under its own brand name "Tulsi" directly and also through its distributors (30-40 distributors) mainly in the northern region of India (Uttar Pradesh, Uttarakhand, Delhi, Haryana, Punjab, Rajasthan, Madhya Pradesh and Bihar). The firm sells chicory products (which contributes ~20% of total operating income in FY23) mainly to export company namely; "RK Agroexport Private Limited" located in Atrauli.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (Prov.)*
Total operating income	127.57	151.12	122.03
PBILDT	6.54	6.04	5.00
PAT	0.93	0.98	0.76
Overall gearing (times)	1.81	1.80	1.41
Interest coverage (times)	1.28	1.34	1.39

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'

*refers to the period from April 1, 2023 to December 31, 2023.

Status of non-cooperation with previous CRA: Brickwork Ratings has continued the ratings assigned to the bank facilities of Ganga Dairy to the "Issuer Not-Cooperating" category vide its press release dated November 22, 2024 on account of its inability to carryout review in the absence of requisite information from the firm.

CRISIL has continued the ratings assigned to the bank facilities of Ganga Dairy to the "Issuer Not-Cooperating" category vide its press release dated November 7, 2023 on account of its inability to carryout review in the absence of requisite information from the firm.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	33.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March, 2028	4.93	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	33.00	CARE B; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (20-Feb-24) 2)CARE D (31-Oct-23)	1)CARE BB; Stable (02-Mar-23) 2)CARE BB; Stable (05-Dec-22)	1)CARE BB; Stable (22-Nov-21) 2)CARE BB; Stable (15-Sep-21)
2	Fund-based - LT-Term Loan	LT	4.93	CARE B; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (20-Feb-24) 2)CARE D (31-Oct-23)	1)CARE BB; Stable (02-Mar-23) 2)CARE BB; Stable (05-Dec-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of the covenants of the rated instrument/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

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